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Message Text

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PAGE 01 TORONT 00121 141701Z
ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
CIEP-02 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02 L-03
NSC-05 PA-02 PRS-01 SS-15 /100 W
----------141707Z 044864 /43
R 141509Z JAN 77
FM AMCONSUL TORONTO
TO SECSTATE WASHDC 0000
INFO AMEMBASSY OTTAWA

UNCLAS TORONTO 0121

E.O. 11652: N/A
TAGS: EINV, SOPN, CA
SUBJECT: TORONTO STAR ATTACKS INVESTMENT TAX INCENTIVES

1. IN A JANUARY 13 EDITORIAL "WRONG WAY TO STIMULATE ECONOMY, "THE TORONTO STAR AGREED WITH THE BUSINESS COMMUNITY THAT "THE CANADIAN ECONOMY NEEDS SOME KIND OF STIMULATION IF IT IS NOT TO BE IN RECESSION BY MID-YEAR," BUT STATED ITS OPINION THAT BUSINESS TAX CONCESSIONS "DOESNT LOOK LIKE A GOOD FIRST CHOICE."

2. THE STAR AGREED WITH RECENT FINDINGS BY MONTREAL C.D. HOWE RESEARC
H
INSTITUTE THAT BOTH CURRENT EXCESS CAPACITY AND THE DOUBTFUL IMPACT OF TAX INVENTIVES IN VIEW OF THE "PRESENT UNSETTLED ECONOMIC ENVIRONMENT" EFFECTIVELY COUNTER THE JUSTIFICATION FOR INCENTIVES BEING ADVANCED BY THE BUSINESS COMMUNITY. THE STAR REFERRED TO THE HOWE REPORT THAT WITH 60 PERCENT OF TOTAL CANADIAN MANUFACTURING SECT
OR
UNDER FOREIGN CONTROL, SUCH FOREIGN-OWNED FIRMS IN RECENT YEARS HAVE PAID OUT AS MUCH AS ONE-THIRD OF AFTER TAX EARNINGS IN DIVIDENDS TO FOREIGN RESIDENTS.

QUOTE - MOREOVER, CANADAIN TAX CONCESSIONS MAY NOT ONLY LEAD
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TO LARGER DIVIDEND OUTFLOWS. THEY MAY ACTUALLY TRANSFER CANADAIN TAXES TO THE U.S. TREASURY. MOST NON-RESIDENT DIVIDENDS GO TO THE U.S. CURRENT AMERICAN TAX LAW IS SUCH THAT IF FOREIGN TAXES ARE LESS THAN U.S. TAXES, THE PARENT FIRM IS REQUIRED TO PAY THE DIFFERENCE WHEN THE EARNINGS GET TO THE U.S. THIS HAS THE EFFECT OF REDUCING THE EFFECTIVE INCENTIVE OF TAX CONCESSIONS IN CANADA.

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THERE IS A FURTHER COMPLICATING FACTOR WHICH OTTAWA DARE
NOT IGNORE.

SEVERAL PROPOSALS BEFORE THE U.S. CONGRESS WOULD REQUIRE
U.S.PARENT COMPANIES TO PAY TAX IMMEDIATELY ON PART OR ALL OF
THEIR SHARE OF INCOME FROM FOREIGN SUBSIDIARIES, WHETHER OR NOT SUCH
INCOME WAS BROUGHT BACK BY THE PARENT. THIS WOULD MEAN THAT TAX
CONCESSION GRANTED TO CANADAIN SUBSIDIARIES OF U.S. COMPANIES
WOULD BE TAXED AWAY, AT LEAST IN PART, BY THE U.S. GOVERNMENT,
EVEN IF THE EARNINGS WERE KEPT IN CANADA. UNQUOTE.
DIGGINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, TAXES, INVESTMENT OPPORTUNITIES
Control Number: n/a
Copy: SINGLE
Sent Date: 14-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770014-1245
Format: TEL
From: TORONTO
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1977/newtext/t19770149/aaaabqtt.tel
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Litigation History:
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Office: ACTION EB
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Review Date: 22-Sep-2004 12:00:00 am
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SAS ID: 3589757
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Status: NATIVE
Subject: TORONTO STAR ATTACKS INVESTMENT TAX INCENTIVES
TAGS: EINV, SOPN, CA
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